



Modimolle Local Municipality
Financial statements
for the year ended 30 June 2014
Auditor General

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

General Information

Mayoral committee

Mayor

KE Lekalakala

Councillors

SA Sebolai

MP Kekana

NG Mashitsho

MC Laubscher

MF Marutha

MS Olifant

G Ferreira

RP Mashaba

MS Motshegoa

NG Mojela

MP Nyama

J Nel

WL Botes

NA Khanya

SJ Moropene

MS Ledwaba

SP Sebelebele

Grading of local authority

3

Accounting Officer

NS Bambo

Chief Finance Officer (CFO)

TM Mathabatha

Registered office

Harry Gwala Street

OR Tambo Square

Modimolle

0510

Business address

Harry Gwala Street

OR Tambo Square

Modimolle

0510

Postal address

Private Bag X 1008

Modimolle

0510

Bankers

Standard Bank

Auditors

Auditor General

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Index	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9
Accounting Policies	10 - 26
Notes to the Financial Statements	27 - 64
Appendixes:	
Appendix A: Schedule of External loans	65
Appendix B: Analysis of Property, Plant and Equipment	66
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	72
Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification)	73
Appendix G(2): Budgeted Financial Performance (revenue and expenditure by municipal vote)	75
Appendix G(3): Budgeted Financial Performance (revenue and expenditure)	76
Appendix G(4): Budgeted Capital Expenditure by vote, standard classification and funding	78
Appendix G(5): Budgeted Cash Flows	80

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the Modimolle Local Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with the South Africa Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

The financial statements set out on pages 5 to 64, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed on its behalf by:

NS Bambo
Accounting Officer

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Assets			
Current Assets			
Inventories	10	6 385 707	6 097 986
Receivables from exchange transactions	11	71 697 167	59 687 477
Receivables from non-exchange transactions	12	24 179 767	14 571 421
Investments	8	900 000	900 000
Current Receivables	9	316 094	299 416
Cash and cash equivalents	13	34 768 777	56 119 802
		138 247 512	137 676 102
Non-Current Assets			
Investment property	4	5 575 251	5 575 251
Property, plant and equipment	5	882 662 397	870 711 706
Intangible assets	6	2 497 269	2 497 269
Investments	8	2 818 721	2 333 829
		893 553 638	881 118 055
Total Assets		1 031 801 150	1 018 794 157
Liabilities			
Current Liabilities			
Other financial liabilities	14	367 086	483 622
Finance lease obligation	15	858 631	1 178 946
Payables from exchange transactions	18	36 415 732	31 541 756
VAT payable	19	25 871 661	21 136 174
Consumer deposits	20	3 668 359	3 026 762
Employee benefit obligation	7	647 400	528 276
Unspent conditional grants and receipts	16	23 467 722	23 881 258
Provisions	17	256 678	299 144
		91 553 269	82 075 938
Non-Current Liabilities			
Other financial liabilities	14	1 375 707	1 742 629
Finance lease obligation	15	133 046	3 275 367
Employee benefit obligation	7	25 281 249	19 930 163
Provisions	17	22 503 982	7 726 487
		49 293 984	32 674 646
Total Liabilities		140 847 253	114 750 584
Net Assets		890 953 897	904 043 573
Reserves			
Housing Development Fund		483 263	483 263
Accumulated surplus		890 470 634	903 560 310
Total Net Assets		890 953 897	904 043 573

* See Note 2 & 39

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	122 769 235	109 066 284
Rental of facilities and equipment		558 025	173 310
Interest received (trading)		9 691 873	7 458 819
Income from agency services		2 421 498	3 906 671
Fair Value of Shares		97 921	11 801
Other income	25	7 538 292	5 427 243
Interest received - investment		2 712 028	2 528 264
Total revenue from exchange transactions		145 788 872	128 572 392
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	27 774 000	19 426 513
Transfer revenue			
Government grants & subsidies		105 807 536	100 064 587
Fines		102 800	95 774
Total revenue from non-exchange transactions		133 684 336	119 586 874
Total revenue	21	279 473 208	248 159 266
Expenditure			
Employee Related Costs	27	(95 785 627)	(70 160 391)
Remuneration of councillors	28	(5 980 487)	(5 263 986)
Depreciation and amortisation	30	(42 083 746)	(23 419 179)
Impairment loss/ Reversal of impairments	31	(2 400 677)	-
Finance costs	32	(2 750 634)	(2 783 111)
Debt impairment		(13 886 529)	(1 163 513)
Repairs and maintenance		(8 396 421)	(7 183 478)
Bulk purchases	36	(77 381 792)	(67 252 198)
Contracted services	35	(9 822 388)	(7 150 069)
General Expenses	26	(34 943 658)	(37 346 520)
Total expenditure		(293 431 959)	(221 722 445)
Operating (deficit) surplus		(13 958 751)	26 436 822
Loss on disposal of assets and liabilities		(590 530)	(945 996)
Inventories: Write Down		(448 598)	(445 189)
Inventory Surplus		-	110 646
		(1 039 128)	(1 280 539)
(Deficit) surplus for the year		(14 997 879)	25 156 283

* See Note 2 & 39

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	483 263	831 107 631	831 590 894
Adjustments			
Prior year adjustments	-	47 296 394	47 296 394
Balance at 01 July 2012 as restated*	483 263	878 404 025	878 887 288
Changes in net assets			
Surplus for the year	-	25 156 285	25 156 285
Total changes	-	25 156 285	25 156 285
Opening balance as previously reported	483 263	903 560 340	904 043 603
Adjustments			
Correction of errors	-	1 908 173	1 908 173
Restated* Balance at 01 July 2013 as restated*	483 263	905 468 513	905 951 776
Changes in net assets			
Surplus for the year	-	(14 997 879)	(14 997 879)
Total changes	-	(14 997 879)	(14 997 879)
Balance at 30 June 2014	483 263	890 470 634	890 953 897
Note(s)			

* See Note 2 & 39

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Property Rates		18 166 112	16 754 300
Sale of goods and services		107 845 788	89 205 844
Grants		105 394 000	108 407 001
Interest income		2 712 028	2 528 264
Other receipts		27 023 868	5 210 553
Interest Earned - outstanding receivables		9 691 873	7 458 819
Fines		102 800	95 771
Licences and Premits		2 421 498	3 906 671
Rental of Faciliteis and Equipment		558 025	173 310
		<u>273 915 992</u>	<u>233 740 533</u>
Payments			
Employee costs		(91 745 174)	(65 579 968)
Suppliers		(5 980 487)	(5 263 987)
Finance costs		(585 383)	(2 717 057)
Other payments		(32 790 336)	(36 060 391)
Repair and Maintenance		(8 396 421)	(7 174 955)
Contracted Services		(9 822 388)	(7 150 069)
Bulk Purchases		(83 159 800)	(66 806 851)
		<u>(232 479 989)</u>	<u>(190 753 278)</u>
Net cash flows from operating activities	37	<u>41 436 003</u>	<u>42 987 255</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(66 324 694)	(42 146 936)
Proceeds from sale of property, plant and equipment	5	8 792 679	1 271 735
Purchase of investments		(484 892)	-
Purchase of current receivables		-	(140 269)
Purchase of investments		-	(331 612)
Net cash flows from investing activities		<u>(58 016 907)</u>	<u>(41 347 082)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(366 922)	(441 298)
Movement in other liability		(2 320 289)	(329 981)
Finance lease payments		(2 082 910)	(247 953)
Net cash flows from financing activities		<u>(4 770 121)</u>	<u>(1 019 232)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(21 351 025)</u>	<u>620 941</u>
Cash and cash equivalents at the beginning of the year		56 119 802	55 498 861
Cash and cash equivalents at the end of the year	13	<u>34 768 777</u>	<u>56 119 802</u>

* See Note 2 & 39

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue by source

Property rates	20 600 000	2 120 000	22 720 000	27 774 000	5 054 000	Note 48
Service charges	115 120 000	5 990 000	121 110 000	122 769 235	1 659 235	
Investment revenue	2 700 000	(200 000)	2 500 000	2 712 028	212 028	
Transfers recognised - operational	62 686 243	(626 000)	62 060 243	62 232 148	171 905	
Other own revenue	14 703 064	2 686 000	17 389 064	19 819 878	2 430 814	
Total Revenue (excluding capital transfers and contributions)	215 809 307	9 970 000	225 779 307	235 307 289	9 527 982	

Expenditure by type

Employee costs	(76 219 517)	(10 335 751)	(86 555 268)	(96 655 527)	(10 100 259)	Note 48
Remuneration of councillors	(5 831 500)	(660 200)	(6 491 700)	(5 980 487)	511 213	
Debt impairment	(5 000 000)	-	(5 000 000)	(13 886 529)	(8 886 529)	
Depreciation & asset impairment	(33 274 450)	6 057 102	(27 217 348)	(44 484 423)	(17 267 075)	
Finance charges	(3 026 000)	16 000	(3 010 000)	(2 750 634)	259 366	
Materials and bulk purchases	(87 440 340)	(9 339 270)	(96 779 610)	(95 591 086)	1 188 524	
Other expenditure	(39 806 898)	(410 129)	(40 217 027)	(34 531 872)	5 685 155	
Total expenditure	(250 598 705)	(14 672 248)	(265 270 953)	(293 880 558)	(28 609 605)	
Surplus/(Deficit)	(34 789 398)	(4 702 248)	(39 491 646)	(58 573 269)	(19 081 623)	
Transfers recognised - capital	49 672 757	19 479 525	69 152 282	43 575 388	(25 576 894)	
Surplus/(Deficit) after capital transfers & contributions	14 883 359	14 777 277	29 660 636	(14 997 881)	(44 658 517)	
Surplus/(Deficit) for the year	14 883 359	14 777 277	29 660 636	(14 997 881)	(44 658 517)	

Reconciliation

Format and classification differences

Employee Related Cost	(869 901)
Materials and bulk purchases	(9 515)
General Expenditure	879 416
Actual Amount in the Statement of Financial Performance	(14 997 881)

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to debtors balances in the portfolio and scaled to the estimated loss emergence period.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows in terms of GRAP 104.61 - 63.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.2 Investment property (continued)

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.3 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	5 - 80
Community Assets	
• Community Facility	7 - 100
• Sport and Recreation Facility	7 - 100
Infrastructure Assets	
• Electricity network	4 - 100
• Road and storm water network	4 - 100
• Sanitation network	4 - 100
• Water Supply Network	4 - 100
Other assets	
• Housing	5 - 80
• Operational Buildings	5 - 80
• Office Equipment	3 - 7
• General Motor Vehicles	5
• Furniture and Fittings	3 - 7
• Plant and equipment	5 - 12

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.4 Intangible assets (continued)

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Electricity servitudes	indefinite
Sanitation servitudes	indefinite
Stormwater servitudes	indefinite
Water servitudes	indefinite
Computer software, other	3years

1.5 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Investment
- Cash and cash equivalents
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans, receivables and investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Financial instruments (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Receivables from non-exchange transactions

Receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.6 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.7 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.11 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.11 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.11 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.12 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of prepaid electricity is recognised from the point of sale. It is estimated that prepaid electricity is consumed within nine (9) days after purchase, due to system limitations which does not allow the municipality an option to draw a report on actuals on the prepaid meters of consumers. Prepaid electricity sold but presumed to be unused at year-end is disclosed as payables from exchange transaction.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.15 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

1.20 Presentation of currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.22 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.24 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by a municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.24 Budget information (continued)

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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2. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the new or revised standards.

• GRAP 1	Presentation of Financial Statements
• GRAP 2	Cash Flow Statements
• GRAP 3	Accounting Policies, Changes in Accounting
• GRAP 4	The effects of Changes in Foreign Exchange rates
• GRAP 5	Borrowing cost
• GRAP 6	Consolidated and Seperate Financial Statements
• GRAP 7	Investments in Associates
• GRAP 8	Interest in Joint Ventures
• GRAP 9	Revenue from Exchange transactions
• GRAP 10	Financial Reporting in Hyperinflationary Economies
• GRAP 11	Construction contracts
• GRAP 12	Inventories
• GRAP 13	Leases
• GRAP 14	Event After the Reporting Date
• GRAP 16	Investment Property
• GRAP 17	Property, Plant and Equipment
• GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
• GRAP 21	Impairment of non-cash-generating assets
• GRAP 23	Revenue from non-exchange transactions
• GRAP 24	Presentation of Budget information in Financial Statements
• GRAP 26	Impairment of cash-generating assets
• GRAP 27	Agriculture
• GRAP 31	Intangible assets
• GRAP 100	Non-current Assets Held for Sale and Discontinue Operations
• GRAP 101	Agriculture
• GRAP 102	Intangible Assets
• GRAP 103	Heritage Assets
• GRAP 104	Financial Instruments

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits	01 April 2013	
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	
• GRAP 12 (as revised 2012): Inventories	01 April 2013	
• GRAP 13 (as revised 2012): Leases	01 April 2013	
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	
• IGRAP16: Intangible assets website costs	01 April 2013	
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	

Notes to the Financial Statements

3. New standards and interpretations (continued)

3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions in the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 July 2014.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

Notes to the Financial Statements

3. New standards and interpretations (continued)

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.

Notes to the Financial Statements

3. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

The impact of this standard is currently being assessed.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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4. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5 575 251	-	5 575 251	5 575 251	-	5 575 251

Reconciliation of investment property - 2014

	Opening balance	Total
Investment property	5 575 251	5 575 251

Reconciliation of investment property - 2013

	-238793.79	Correction of Error	Total
Investment property	-	5 575 251	5 575 251

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

5. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	390 737 316	(9 191 241)	381 546 075	377 265 228	(2 992 200)	374 273 028
Buildings	52 279 189	(15 876 266)	36 402 923	52 541 256	(13 048 086)	39 493 170
Infrastructure	565 653 725	(134 900 596)	430 753 129	527 952 902	(105 090 758)	422 862 144
Community	24 494 146	(7 876 190)	16 617 956	24 424 060	(6 146 314)	18 277 746
Other property, plant and equipment	23 384 170	(8 189 008)	15 195 162	19 370 503	(6 766 358)	12 604 145
Finance lease asset	5 271 610	(3 124 458)	2 147 152	5 271 609	(2 070 136)	3 201 473
Total	1 061 820 156	(179 157 759)	882 662 397	1 006 825 558	(136 113 852)	870 711 706

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	WIP Released	Disposals/Transfers from WIP	Assets under construction	Depreciation	Impairment loss	Acc. Depreciation Disposals/Transfers	Total
Land	374 273 027	13 472 089	-	-	-	(6 199 041)	-	-	381 546 075
Buildings	39 493 169	394 737	-	(616 278)	-	(2 991 547)	(314 226)	437 068	36 402 923
Infrastructure	422 862 144	2 336 558	11 289 754	(6 790 953)	30 954 183	(28 308 280)	(2 019 808)	429 532	430 753 130
Community	18 277 746	-	-	(379 471)	449 557	(1 984 587)	(49 138)	303 850	16 617 957
Other property, plant and equipment	12 603 943	254 586	1 916 654	(1 596 507)	3 438 934	(1 545 752)	(17 505)	140 824	15 195 177
Finance lease assets	3 201 474	-	-	-	-	(1 054 322)	-	-	2 147 152
	870 711 503	16 457 970	13 206 408	(9 383 209)	34 842 674	(42 083 529)	(2 400 677)	1 311 274	882 662 414

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	WIP capitalized	Disposals/Transfers from WIP	Correction of Error	Assets under construction	Depreciation	Total
Land	357 543 772	801 786	-	-	16 259 553	-	(332 084)	374 273 027
Buildings	41 328 018	-	-	-	(238 794)	-	(1 596 055)	39 493 169
Infrastructure	391 412 378	15 481 596	15 458 783	(15 458 783)	19 066 206	14 480 714	(17 578 750)	422 862 144
Community	14 180 358	-	702 646	-	4 035 696	-	(640 963)	18 277 737
Other property, plant and equipment	10 020 149	353 906	-	(1 271 735)	2 444 730	3 589 837	(2 532 944)	12 603 943
Finance lease assets	4 215 463	-	-	-	49 368	-	(1 063 357)	3 201 474
	818 700 138	16 637 288	16 161 429	(16 730 518)	41 616 759	18 070 551	(23 744 153)	870 711 494

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The Municipality does not own any heritage assets.

For more detail information about assets please refer to Appendix B.

6. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	2 497 269	-	2 497 269	2 497 269	-	2 497 269

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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6. Intangible assets (continued)

Reconciliation of intangible assets - 2014

	Opening balance	Total
Servitudes	2 497 269	2 497 269

Reconciliation of intangible assets - 2013

	Opening balance	Total
Servitudes	2 497 269	2 497 269

7. Employee benefit obligations

Defined benefit plan

Post employment health care plan

The post-employment health care benefit plan is a defined benefit plan, which is made up as follows:

	2014	2013
Eligible In-service members		
Number of Principal Members	135	111
Eligible Non-Members	208	210
Average Age of Members	43	42
Average Past Service	9	9
Average number of Dependents for In-Service Members	2	2
Continuing Members		
Number of Principal Members	21	18
Average Age of Members	72	73
Average Employee Contributions	2 569	2 446

The liability in respect of past service has been estimated to be as follows:

	2014	2013
In-service members	13 045 526	10 580 291
In-services non-members	5 042 809	3 760 566
Continuation members	7 840 314	6 117 582
	25 928 649	20 458 439

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-partially or wholly funded	(25 928 649)	(20 458 439)
Non-current liabilities	(25 281 249)	(19 930 163)
Current liabilities	(647 400)	(528 276)
	(25 928 649)	(20 458 439)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	20 458 439	17 900 419
Benefits paid	(528 276)	(471 720)
Net expense recognised in the statement of financial performance	5 998 486	3 029 740
Closing balance	25 928 649	20 458 439

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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7. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	1 154 478	1 151 401
Interest cost	1 826 651	1 421 524
Actuarial (gains) losses	3 017 357	456 815
Total included in employee related costs	5 998 486	3 029 740

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.12 %	9.04 %
Expected rate of return on assets	8.29 %	7.85 %
Health Care cost inflations Rates	0.77 %	1.10 %
Actual return on reimbursement rights	58	58

The basis used to determine the discount rate is as follow:

A discount rate of 9.12% per annum has been used. The corresponding index-linked yield at this term is 1.72%.

The rate is calculated by using a weighted average of yields for the three components of the liability.

The employee benefit obligation was independently performed by ARCH Actuarial Consulting. The report was prepared by Chanan Weiss BSc FFA. Chanan is a Fellow of the Actuarial Society of South Africa.

Other assumptions

Changes in the present value of the defined benefit obligations for the current and previous four years are as follows:

	2014	2013	2012	2011	2010
Opening Balance	20 458 439	17 900 419	17 016 505	12 323 194	11 306 934
Benefits Paid	(528 276)	(471 720)	(482 616)	(483 562)	(448 476)
Net expense recognised in the Statement of Financial Performance	5 998 486	3 029 740	1 366 530	5 176 873	1 464 736
Closing Balance	25 928 649	20 458 439	17 900 419	17 016 505	12 323 194
Experience adjustments arising on the plan liabilities	1 739 000	1 075 000	(3 028 000)	3 597 000	-

The amounts recognised in the Statement of Financial Position are as follows:	2014	2013	2012	2011	2010
Present value of the defined benefit obligations - partially or wholly funded	25 928 649	20 458 439	17 900 419	17 016 505	12 323 194

A one percent change in assumed health cost trends rates would have the following effects:

Sensitivity Analysis	Change	Current-Service Cost	Interest Cost	Total	% Change
Central Assumptions		1 154 500	1 826 700	2 981 200	- %
Health Care Inflation	+1%	1 412 400	2 111 400	3 523 800	18 %
	-1%	937 900	1 583 900	2 521 800	(15)%
Post-Retirement Mortality	-1yr	1 189 200	1 891 800	3 081 000	3 %
Average Retirement Age	-1yr	1 273 200	1 909 000	3 182 200	7 %
Withdrawal Rate	-50%	1 420 300	1 973 300	3 393 600	14 %
		7 387 500	11 296 100	18 683 600	27 %

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
8. Investments		
N T K	113 721	15 801
Fixed Deposit	900 000	900 000
Investments	2 705 000	2 318 028
	3 718 721	3 233 829
Current and Non-Current		
Current Investment	900 000	900 000
Non-current Investments	2 818 721	2 333 829
	3 718 721	3 233 829

Fixed deposits amounting to R900 000 (2013: R900 000) have been pledged to Magalies Water for a deposit. The Investment is renewable annually.

Investments totalling R2 705 000 (2013: R2 318 028) were ceded to the DBSA. These investments serve as security for the long terms loans.

NTK is unlisted share investment for the following shares as at 30 June 2014:

Class 1 Normal shares 5000 @ R1 per share
 Class 2 Preferential shares 28 156 @ R1 per share
 Class 3 Preferential shares 77 919 @ R1 per share

NTK Shares 2014	Class 1 Normal Shares	Class 2 Preferential Shares	Class 3 Preferential Shares	Security Investments	Total
Opening Balance	5 000	8 285	-	2 516	15 801
Fair Value adjustments	-	19 871	77 919	131	97 921
	5 000	28 156	77 919	2 647	113 722
NTK Shares 2013	Class 1 Normal Shares	Class 2 Preferential Shares	Class 3 Preferential Shares	Security Investments	Total
Opening Balance	4 000	-	-	-	4 000
Correction of error	1 000	8 285	-	2 516	11 801
	5 000	8 285	-	2 516	15 801

9. Current receivables

Deposit - Electricity	316 094	299 416
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The deposit is held by Eskom for bulk services rendered to the municipality.

10. Inventories

Consumable stores	5 379 159	5 052 134
Water	87 548	126 852
Unsold Properties Held for Resale	919 000	919 000
	6 385 707	6 097 986

Stores

There is only one centralize store within the municipality. The store consits mainly of maintenance items for the Water, Sanitation and Electricity departments as well as stationary and protective clothing for the municipality.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013	
11. Receivables from exchange transactions			
Trade debtors	93 690 969	78 858 587	
Provision for doubtful debts	(27 371 247)	(24 401 712)	
Other receivables	5 120 096	4 662 632	
Other receivables - new connections	257 349	567 970	
	71 697 167	59 687 477	
30 June 2014			
Trade receivables	Gross	Provision	Total
Electricity	15 388 450	(3 038 047)	12 350 403
Water	29 489 608	(10 150 426)	19 339 182
Sewerage	8 133 415	-	8 133 415
Refuse	6 392 640	(2 232 455)	4 160 185
VAT	14 891 658	(5 079 337)	9 812 321
Other	19 395 198	(6 870 983)	12 524 215
Subtotal	93 690 969	(27 371 248)	66 319 721
Other receivables			
Other receivables	5 377 445	-	5 377 445
	99 068 414	(27 371 248)	71 697 166
30 June 2013			
Trade receivables			
Electricity	11 491 970	(3 744 578)	7 747 392
Water	26 866 743	(9 259 052)	17 607 691
Sewerage	5 920 735	-	5 920 735
Refuse	5 918 367	(2 039 045)	3 879 322
VAT	8 702 931	(2 711 388)	5 991 543
Other	19 957 841	(6 647 649)	13 310 192
Subtotal	78 858 587	(24 401 712)	54 456 875
Other receivables			
Other receivables	5 230 602	-	5 230 602
	84 089 189	(24 401 712)	59 687 477

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

11. Receivables from exchange transactions (continued)

Trade and other receivables past due

2014 Gross Ageing per Group	Business	Farms	Government	Household	Industrial
Current	5 256 654	5 314	746 876	4 777 485	615 694
31 - 60 days	1 019 392	3 780	294 677	2 830 272	565 870
61 - 90 days	557 246	3 374	296 153	3 361 938	760 207
91 - 120 days	430 160	2 805	239 683	2 257 737	317 017
120 + days	13 377 192	82 437	2 939 925	48 045 288	1 688 896
	20 640 644	97 710	4 517 314	61 272 720	3 947 684

2014 Gross Ageing per Group

	Others	Sundry Accounts
Current	542 932	12 019
31 - 60 days	190 973	11 644
61 - 90 days	157 083	6 540
91 - 120 days	93 638	181 010
121 + days	1 919 468	99 590
	2 904 094	310 803

30 June 2014	Electricity	Water	Sewerage	Refuse	VAT	Other
Current	4 882 773	1 530 802	759 522	299 345	902 054	611 972
31 - 60 days	1 249 120	831 456	408 893	155 562	374 524	565 646
61 - 90 days	926 480	1 229 433	503 742	138 933	368 578	540 339
91 - 120 days	458 678	622 221	378 442	129 278	240 810	683 905
121+ days	4 833 353	15 125 270	6 082 816	3 437 067	7 926 355	10 119 798
	12 350 404	19 339 182	8 133 415	4 160 185	9 812 321	12 521 660

30 June 2013	Electricity	Water	Sewerage	Refuse	VAT	Other
Current	2 214 496	1 093 533	614 529	262 978	600 614	337 703
31 - 60 days	939 203	690 041	244 388	116 444	313 546	479 268
61 - 90 days	649 434	742 733	206 366	97 681	286 915	454 067
91 - 120 days	390 586	576 725	193 093	93 860	214 449	441 009
121 - 365 days	3 553 673	14 504 659	4 662 359	3 308 359	4 576 018	11 598 145
	7 747 392	17 607 691	5 920 735	3 879 322	5 991 542	13 310 192

Reconciliation of provision for impairment of trade and other receivables

Opening balance	24 401 712	23 229 062
Provision for impairment	13 019 536	1 163 513
Amounts written off as uncollectible	(10 050 001)	-
Other	-	9 137
	27 371 247	24 401 712

12. Receivables from non-exchange transactions

Rates	19 317 954	13 710 479
Other receivables from non-exchange revenue	4 861 813	860 942
	24 179 767	14 571 421

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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12. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions

The ageing of amounts past due but not impaired is as follows:

Current	2 267 549	1 444 708
31 - 60 days	1 090 700	622 548
61 - 90 days	986 551	571 864
91 - 120 days	891 400	535 353
121 + days	14 081 754	10 536 006

Ageing per Group	Current	31 - 60 days	61 - 90 days	91 - 120 days	121 + days
Business	633 114	221 216	204 935	201 401	2 208 585
Farms	33 988	26 546	24 221	21 493	244 414
Government	142 900	136 623	135 535	83 922	1 330 602
Household	1 046 284	569 591	500 825	469 979	8 922 128
Industrial	173 378	102 438	91 179	87 675	959 770
Others	237 865	34 266	29 835	26 930	416 256
Sundry Accounts	20	20	21	-	-
	2 267 549	1 090 700	986 551	891 400	14 081 755

Receivables from non-exchange transactions impaired

As of 30 June 2014, other receivables from non-exchange transactions for Traffic Fines of R63 700 (2013: -) were impaired and provided for.

The amount of the provision was R63 700 as of 30 June 2014 (2013: -).

Reconciliation of Fines	Gross	Provision	Total
Traffic Fines	63 700	(63 700)	-

Reconciliation of provision for impairment of Fines:

Provision for Impairment	63 700	-
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13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 800	2 800
Bank balances	6 918 215	25 287 332
Call deposits	27 847 762	30 829 670
	34 768 777	56 119 802

Included in the 2013 Cashbook balances of R25 287 332 was a cashbook amount of R4 142 073 that relates to the previous primary bank account of the municipality that was closed on the 2 July 2012. The Cashbook balance has been move to other debtors. Council resolved in July 2014 to write-off the amount.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
Standard Bank Limited (Modimolle) - Current account 330506137	12 546 548	26 165 274	47 186 866	6 792 665	21 145 259	47 060 003
First National Bank (Modimolle) Current Account Number	-	-	107 372	-	4 142 073	4 143 433
Total	12 546 548	26 165 274	47 294 238	6 792 665	25 287 332	51 203 436

14. Other financial liabilities

At amortised cost

Development Bank of Southern Africa Account number 11191. Redemption date 31 March 2014. Interest rate 16.5%. Payment terms 6 monthly.	-	140 649
Development Bank of Southern Africa Account number 10467. Redemption date: 30 September 2017. Interest rate 12%. Payment terms 6 monthly.	893 401	1 088 489
Development Bank of Southern Africa Account number 13537. Redemption date: 31 March 2020. Interest rate 3 month Jibar + Margin. Payment terms 3 Monthly.	849 392	997 113
	1 742 793	2 226 251

Total other financial liabilities

1 742 793	2 226 251
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Non-current liabilities

At amortised cost	1 375 707	1 742 629
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Current liabilities

At amortised cost	367 086	483 622
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Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
15. Finance lease obligation		
Minimum lease payments due		
- within one year	1 584 463	1 813 698
- in second to fifth year inclusive	133 046	3 331 593
	<u>1 717 509</u>	<u>5 145 291</u>
less: future finance charges	(725 832)	(690 979)
Present value of minimum lease payments	<u>991 677</u>	<u>4 454 312</u>
Present value of minimum lease payments due		
- within one year	853 939	1 178 946
- in second to fifth year inclusive	137 738	2 741 173
	<u>991 677</u>	<u>3 920 119</u>
Non-current liabilities	133 046	3 275 367
Current liabilities	858 631	1 178 946
	<u>991 677</u>	<u>4 454 313</u>
Finance cost recognised in the Statement of Financial Performance	169 562	516 752
The average lease term is 3 years and the effective borrowing rate is 9%. Interest rates are fixed at the contract date. No arrangements have been entered into for the contingent rent. Obligations under finance leases are secured by the lessors title to the leased asset.		
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	23 298 789	16 664 727
Department of Energy	168 933	7 216 531
	<u>23 467 722</u>	<u>23 881 258</u>

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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17. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	5 691 728	13 821 026	19 512 754
Long-service award	2 333 903	914 003	3 247 906
	8 025 631	14 735 029	22 760 660

Reconciliation of provisions - 2013

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	4 436 777	1 254 951	5 691 728
Long-service award	2 038 171	295 732	2 333 903
	6 474 948	1 550 683	8 025 631
Non-current liabilities		22 503 982	7 726 487
Current liabilities		256 678	299 144
		22 760 660	8 025 631

Environmental rehabilitation provision

The provision for the rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation.

30 June 2014

	Modimolle	Mabatlane
Discount rate	7%	7%
Escalation rate	7%	7%
Useful life	24 years	24 years
Remaining useful life	2 years	1 years
Restoration area	6300 sqm	5396 sqm

30 June 2013

	Modimolle	Mabatlane
Discount rate	10%	10%
Escalation rate	6%	6%
Useful life	24 years	24 years
Remaining useful life	3 years	3 years
Restoration area	6300 sqm	5396 sqm

Long-service award

A long service award is granted to municipal employees for every five (5) years of service completed from ten (10) years of service to forty five (45) years of service inclusive. Employees are also entitled to receive a gold watch on the completion of twenty five (25) years of service and estimated value of the gold watch is R3500.00

The provision represents an estimate of the awards to which employees in the service of the municipality at 30 June 2013 may become entitled to in future, based on actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2014 by a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the Municipality.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
17. Provisions (continued)		
The long-service award plans are defined benefit plans. As at year-end 343 employees were eligible for long-service awards.		
The Long-Service award actuarial valuation was independently performed by ARCH Actuarial Consultants. The report was prepared by Chanan Weiss BSc FFA. Chanan Weiss is a Fellow of the Actuarial Society of South Africa.		
The history of Liabilities, Assets and Experience Adjustment	2014	2013
Present value of defined benefit obligation	3 247 906	2 333 903
History of Experience Adjustments: Gains and Losses		2014
Liabilities: (Gain)/Loss		880 224
The Principal assumptions used for the purposes of the actuarial valuations were as follows:	2014	2013
Discount Rate	7.99 %	7.27 %
Expected rate of salary increase	7.16 %	6.81 %
Net effective discount rate	0.78 %	0.43 %
The amounts recognised in the Statement of Financial Position are as follows:	2014	2013
Present value of Fund obligations	3 247 906	2 333 903
The amount recognised in the Statement of Financial Performance are as follows:	2014	2013
Current service cost	261 221	324 938
Interest cost	159 049	122 991
Actuarial loss	792 877	153 990
Expected employee benefit vesting	(299 144)	(306 187)
	914 003	295 732
Reconciliation of the present value of defined benefit obligation to fair value of liability:	2014	2013
Balance at the beginning of year	2 333 903	2 038 171
Current-service Cost	261 221	324 938
Interest Cost	159 049	122 991
Expected employee benefit vesting	(299 144)	(306 187)
Actuarial Loss	792 877	153 990
	3 247 906	2 333 903
18. Payables from exchange transactions		
Trade payables	4 157 845	3 757 979
Payments received in advanced	3 854 532	6 748 702
Retentions	3 505 328	3 205 027
Other creditors	14 214 342	10 913 677
Accrued leave pay	10 683 685	6 916 371
	36 415 732	31 541 756
The movement in the leave pay accrual can be reconciled as follows:		
Opening balance	6 916 371	5 947 423
Contributions to provisions	118 684	1 326 288
Expenditure incurred	(390 249)	(357 340)
	6 644 806	6 916 371

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
19. VAT payable		
VAT payable	25 871 661	21 136 174
VAT is payable on the receipts basis. VAT is paid over to SARS only once the payment is recieved from debtors.		
20. Consumer deposits		
Electricity and water	3 668 359	3 026 762
No interest is paid on the consumer deposits.		
21. Revenue		
Service charges	122 769 235	109 066 284
Rental of facilities and equipment	558 025	173 310
Interest received (trading)	9 691 873	7 458 819
Income from agency services	2 421 498	3 906 671
Fair Value of Shares	97 921	11 801
Other income - (rollup)	7 538 292	5 427 244
Interest received - investment	2 712 028	2 528 264
Property rates	27 774 000	19 426 513
Government grants & subsidies	105 807 536	100 064 587
Fines	102 800	95 774
	279 473 208	248 159 267
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	122 769 235	109 066 284
Rental of facilities and equipment	558 025	173 310
Interest received (trading)	9 691 873	7 458 819
Income from agency services	2 421 498	3 906 671
Fair Value of Shares	97 921	11 801
Other income - (rollup)	7 538 292	5 427 244
Interest received - investment	2 712 028	2 528 264
	145 788 872	128 572 393
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	27 774 000	19 426 513
Transfer revenue		
Government grants & subsidies	105 807 536	100 064 587
Fines	102 800	95 774
	133 684 336	119 586 874

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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22. Property rates

Rates received

Residential	11 269 037	8 991 000
Commercial	12 940 613	7 641 815
State	1 179 093	789 426
Small holdings and farms	2 377 465	1 995 978
Church	7 792	8 294
	27 774 000	19 426 513

Valuations

Residential	34 796 747 740	29 858 299 670
Commercial	5 995 823 757	4 457 162 117
State	737 194 000	574 824 000
Church	24 420 000	23 760 000
Agricultural	34 015 718 552	33 833 309 508
	75 569 904 049	68 747 355 295

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

23. Service charges

Sale of electricity	78 216 863	70 473 907
Sale of water	27 616 138	24 857 547
Refuse removal	6 256 184	5 383 539
Sewerage and sanitation charges	10 680 050	8 351 291
	122 769 235	109 066 284

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
24. Government grants and subsidies		
Operating grants		
Equitable share	57 283 000	56 393 001
Financial Management Grant	1 497 228	1 500 000
Municipal Systems Improvement Grant	890 000	800 000
Municipal Infrastructure Grant	1 561 920	1 322 937
Waterberg District Municipality	-	1 500 000
Extended Public Works Programme	1 000 000	912 000
	<u>62 232 148</u>	<u>62 427 938</u>
Capital grants		
Financial Management Grant	52 772	-
Municipal Infrastructure Grant	29 175 018	33 830 645
Department of Energy Grants	14 347 598	3 806 004
	<u>43 575 388</u>	<u>37 636 649</u>
	<u>105 807 536</u>	<u>100 064 587</u>
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy which is funded from the grant.		
Financial Management Grant		
Current-year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(1 550 000)	(1 500 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 16).		
Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	103 000
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(890 000)	(800 000)
Other	-	(103 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 16).		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	16 664 727	14 501 310
Current-year receipts	37 371 000	41 434 000
Conditions met - transferred to revenue	(30 736 938)	(35 153 583)
Other	-	(4 117 000)
	<u>23 298 789</u>	<u>16 664 727</u>
Conditions still to be met - remain liabilities (see note 16).		
Department of Energy		
Balance unspent at beginning of year	7 216 531	22 535
Current-year receipts	7 300 000	11 000 000
Conditions met - transferred to revenue	(14 347 598)	(3 811 269)

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
24. Government grants and subsidies (continued)		
Correction of prior period error	-	5 265
	168 933	7 216 531

Conditions still to be met - remain liabilities (see note 16).

Waterberg District Municipality

Current-year receipts	-	1 500 000
Conditions met - transferred to revenue	-	(1 500 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act no 10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

25. Other income

Fire Brigade	1 820 549	1 605 823
Photo Copies	379	4 038
Cemetery Fees	180 976	225 416
Continous Members Medical Aid Contributions	194 541	-
Connection and Reconnection Fees	3 012 438	2 265 722
Sundry Income	278 432	694 343
Building Fees	120 477	98 877
Repayments LGSETA	105 610	46 168
Hawkers Permits	647	5 043
Sub Division Applications	35 827	105 273
Membership Fees	17 213	21 824
Clearance and Valuation Certificate	170 554	154 918
Bulk Contributions	1 462 312	56 018
Placard Deposit	-	5 820
Surplus Cash	308	541
Telephone	-	8 218
Tender Documents	84 887	112 800
Advertising Boards	38 142	2 719
Sale of Erven	15 000	13 683
	7 538 292	5 427 244

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
26. General expenses		
Advertising	468 577	365 610
Auditors Fees	2 953 861	2 319 855
Bank charges	623 912	274 250
Cleaning	109 372	94 315
Commission paid	897 146	906 474
Consulting and professional fees	4 119 075	3 248 328
Consumables	-	1 660
Entertainment	128 207	111 741
Insurance	769 178	521 936
Conferences and seminars	172 200	141 796
IT expenses	335 299	79 083
Lease rentals on operating lease	15 042	-
Marketing	148 664	246 033
Publications	124 091	112 198
Motor vehicle expenses	3 794 315	2 730 790
Postage and courier	1 760	4 009
Printing and stationery	1 761 975	620 754
Promotions	66 977	67 107
Protective clothing	301 483	381 961
Subscriptions and membership fees	843 018	562 291
Telephone and fax	1 927 974	1 806 630
Transport and freight	100 276	326 063
Training	484 389	599 243
Travel - local	1 907 127	1 662 591
Refuse Bags	65 567	48 558
Other expenses	2 669 013	1 772 917
Job Evaluation	-	38 000
Council committee	1 097 220	1 090 401
Funeral assistance	52 500	37 300
Special Projects	590 509	680 533
Chemicals	1 391 816	1 087 233
Upgrade of Eskom Substation	-	8 768 573
Municipal Strategy	286 185	178 201
Disaster Management	61 313	23 341
Bursaries	240 906	295 499
EAP Referrals	28 678	6 366
Long Service Awards	38 682	220 445
Material and Stock	157	45 850
Occupational Health and Safety	43 710	37 119
Municipal Programs	298 697	268 732
Performance Management	320 829	484 288
Programming	1 576 114	1 715 596
Master Plan	778 294	139 973
SMME and Co-Op Development	28 000	72 954
Seeds and Plants	3 140	-
Street Signs	-	20 000
Test Water Samples	272 237	341 182
Valuation Cost	372 357	326 700
Youth Volunteer ID	54 093	41 890
Public Participation	1 200 978	453 000
Vehicle Rental	1 418 745	1 967 138
	34 943 658	37 346 507

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
27. Employee related costs		
Employee related costs - Salaries and Wages	60 079 954	46 529 436
Other Employee Related Costs	8 845 353	2 861 155
Employee related costs - Contributions for UIF, Pensions and Medical Aids	14 040 187	11 055 415
Travel, motor car, accommodation, subsistence and other allowances	3 312 498	3 229 353
Overtime payments	5 359 676	3 186 905
Housing benefits and allowances	937 096	943 032
Cell Phone Allowance	8 018	-
	92 582 782	67 805 296
Remuneration of municipal manager		
Annual Remuneration	403 879	-
Car Allowance	50 000	-
Contributions to UIF, Medical and Pension Funds	93 743	-
	547 622	-
The Municipal Manager was appointed from 1 January 2014.		
Remuneration of chief finance officer		
Annual Remuneration	760 202	687 972
Car Allowance	101 597	90 000
Contributions to UIF, Medical and Pension Funds	162 827	160 558
	1 024 626	938 530
Manager Corporate Services		
Annual Remuneration	518 598	447 697
Car Allowance	151 445	145 658
Contributions to UIF, Medical and Pension Funds	155 003	136 270
	825 046	729 625
Manager Social Services		
The position is currently vacant.		
Manager Technical Services		
Annual Remuneration	520 525	422 787
Car Allowance	162 190	143 671
Performance Bonuses	122 826	120 482
	805 541	686 940

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
28. Remuneration of councillors		
Cllr Lekalakala (Mayor)	708 439	643 518
Cllr Kekana (Exco Member)	545 792	493 852
Cllr Fereira (Exco Member)	290 098	190 429
Cllr Sebolai (Speaker)	570 594	519 304
Cllr Mashitsho (Chief Whip)	546 940	485 085
Cllr Botes (Chairperson: Budget and Treasury)	294 047	208 507
Cllr Nel	229 693	190 439
Cllr Mashaba (Chairperson: MPAC)	305 579	360 412
Cllr Nyama	229 693	190 439
Cllr Khanya	227 824	191 602
Cllr Mojela (Chairperson: Technical Services)	291 032	208 507
Cllr Marutha (Chairperson: Social Services)	291 032	208 507
Cllr Ledwaba	236 056	202 227
Cllr Moropene	229 693	190 439
Cllr Sebelebele	229 693	190 439
Cllr Motshegoa (Chairperson: Planning)	286 840	183 763
Cllr Olifant (Chairperson: Corporate Portfolio)	286 371	204 364
Cllr Laubscher	135 075	-
Cllr van Aswegen (Exco member: July'14 - Aug'14)	45 996	402 153
	5 980 487	5 263 986

In-kind benefits

The Mayor, Speaker, Chief Whip and one Executive Committee Member are full-time. The Mayor, Speaker and Chief Whip is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle for official duties.

29. Investment earned - external investments

Interest revenue		
Bank	2 695 350	2 510 366
Eskom deposit	16 678	17 898
	2 712 028	2 528 264

30. Depreciation and amortisation

Property, plant and equipment	42 083 746	23 419 179
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31. Impairment of assets

Impairments		
Property, plant and equipment	2 400 677	-
Assets were impaired according to specific indicators including: Vandalism, physical damage, discontinued assets and assets that became idle.		

The main classes of assets affected by impairment losses are:

Infrastructure

Buildings

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
32. Finance costs		
Finance leases	200 383	450 698
Current borrowings	215 614	268 679
Provisions	2 334 637	2 063 734
	2 750 634	2 783 111
33. Auditors' Fees		
Auditor General Fees	2 806 237	2 245 984
Internal Audit Committee Fees	147 624	73 871
	2 953 861	2 319 855
34. Rental of facilities and equipment		
Premises		
Rental of facilities	558 025	173 310
35. Contracted services		
Legal services	3 328 725	1 282 055
Security services	6 493 663	5 868 014
	9 822 388	7 150 069
36. Bulk purchases		
Electricity	70 003 760	61 465 066
Water	7 378 032	5 787 132
	77 381 792	67 252 198
37. Cash generated from operations		
(Deficit) surplus	(14 997 879)	25 156 285
Adjustments for:		
Depreciation and amortisation	42 083 746	23 419 179
Gain on sale of assets and liabilities	590 530	945 996
Gain on sale of non-current assets and disposal groups	448 598	445 189
Inventory Surplus	-	(110 646)
Finance costs - Finance leases	200 383	516 752
Impairment deficit	2 400 677	-
Debt impairment	13 886 529	1 163 513
Movements in retirement benefit assets and liabilities	5 470 210	2 558 020
Movements in provisions	14 735 029	1 550 683
Current Service cost	2 572 925	2 572 925
Changes in working capital:		
Inventories	(287 721)	414 180
Receivables from exchange transactions	(12 009 690)	(21 033 092)
Other receivables from non-exchange transactions	(9 608 346)	(2 672 215)
Consumer debtors	(13 886 529)	(1 163 513)
Payables from exchange transactions	4 873 993	(5 752 403)
VAT	4 735 487	5 502 396
Unspent conditional grants and receipts	(413 536)	9 254 413
Consumer deposits	641 597	219 593
	41 436 003	42 987 255

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
38. Contingencies		
Pending Legal Cases:		
Modimolle vs Chris Cook - Claim for payments of rates and taxes	-	580 000
Modimolle vs Farmers		
JP Kriel vs Modimolle - Claim for payments of rates and taxes	-	18 188
BD Pienaar vs Modimolle Local Municipality - Claim for payments of rates and taxes	-	17 655
FW Deysel vs Modimolle Local Municipality - Claim for Payments of rates and taxes	-	15 960
Peter West vs Modimolle Local Municipality - Compensation for defective electrical meter	-	250 000
JM Muenda vs Kgatlapa CC vs Modimolle - Injury sustained by child juring contractual work at Vaalwater. Possible financial loss may be recovered from insurance.	-	70 000
Johannes Cornelius van Tonder vs Modimolle - Legal claim for damages of a motor vehicle	-	390 000
KC Joubert vs Modimolle - Labour dispute. no specific amount and awaiting date of hearing	-	80 000
Vusithemba vs Modimolle - Application of an interdict to stop operation	-	62 000
Hellen West vs Modimolle - Compensation for defective electrical meter.	-	60 000
CXMi (AL Energy) (Pty) Ltd vs Modimolle - Claim for loss of profit.	32 000 000	-
P Bezuidenhout vs DS Erasmus & Modimolle - Alleged Rent arrears	5 600	-
WJK Rademeyer vs Modimolle - Alleged damage suffered as result of the Municipal failure to fix the road/potholes	8 432	-
Xylem Water Solutions SA (Pty) Ltd vs Modimolle - Supplied of goods and services not paid	1 602 144	-
JB Pienaar vs Modimolle - Legal Cost	22 000	-
Klub Lekkerus/Libertas vs Modimolle - Refund of erroneous payments	45 392	-
Bakgalaka-Holdings Moretele JV vs Modimolle - Nonpayment of services rendered	1 971 008	-
Telkom SA SOC Ltd vs Modimolle - Alleged Cable Damage	564 640	-
NL Makoko vs Modimolle - Alleged damage suffered as a result of the collusion	9 500	-
M Mamabolo vs JA Edwards & Modimolle - Alleged damage suffered as a result of a motor vehicle collision caused by our employee	15 834	-
Sebata Municipal Services (Pty) Ltd vs Modimolle - Alleged services not rendered and not paid	135 494	-
Lesperance Sebenzani Joint vs Modimolle - Alleged termination of contract without following the prescribed procedure	4 654 022	-
Wage Curve Dispute: Trade Unions vs SALGA - Non implementation of the wage curve agreement. Due to the fact that the municipalities Task results was not published or issued to date the municipality can't quantify the contingent liability.	Unquantifiable	-
	41 034 066	1 543 803

39. Prior period errors

The correction of the error(s) results in adjustments as follows:

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
39. Prior period errors (continued)		
Statement of financial position		
Cash and Cash Equivalents		
Balance as at 30 June 2013 on 2012/13 Financial Statement	-	56 119 794
Correction of Accrued Interest captured as Interest received	-	8
Restated Balance of Cash and Cash Equivalents	-	56 119 802
Non-Current Investments		
Balance as at 30 June 2013 on 2012/13 Financial Statement	-	2 322 028
Correction on the fair value of NTK Shares not captured	-	11 801
Restated Balance of Non-Current Investment	-	2 333 829
Unspent conditional grants and receipts		
Balance as at 30 June 2013 on 2012/13 Financial Statement	-	23 875 993
Correction on Grant receipts - Grant not spent according to the Grant conditions	-	5 265
Restated Balance of Unspent conditional grants and receipts	-	23 881 258
Net Assets - Accumulated Surplus		
Balance as at 30 June 2013 on 2012/13 Financial Statement	-	856 008 314
Correction on the fair value of NTK Shares	-	11 801
Correction on the unspent conditional grants and receipts	-	(5 265)
Restated Balance of Accumulated Surplus	-	856 014 850
Property, Plant and Equipment		
Balance as at 30 June 2013 on 2012/13 Financial Statement	-	829 114 122
Correction of depreciation write-up for Other Property, Plant and Equipment	-	34 442
Correction of duplicated assets and newly identified assets	-	46 862 878
Correction of duplicated assets and newly identified assets	-	129 244
Correction of newly identified Office Equipment	-	18 638
Reclassification of Transactions (Note 40)	-	(5 575 251)
Correction of assets with negative depreciation amounts	-	148 690
Correction of finance lease assets - Costs	-	49 368
Correction of finance lease assets - Acc Depreciation	-	(18 909)
Correction of Creditors - Buildings	-	(24 000)
Correction of Retention incorrectly captured	-	(27 516)
Restated Balance of Property, Plant and Equipment	-	870 711 706
Payables from exchange transactions		
Balance as at 30 June 2013 on 2012/13 Financial Statement	-	31 346 400
Reclassification of transactions (note 40)	-	567 980
Correction on Creditors that was paid in previous years but were still reflected as not paid.	-	(324 105)
Correction of Insurance Claims revenue and expenditure from previous years	-	(91 284)
Correction of Creditors payments not recognised as Creditors	-	93 265
Correction of Amount received in advance reflecting as Accumulated Surplus	-	1 014
Correction of Creditors - Assets	-	(24 000)
Correction of Retention incorrectly captured	-	(27 514)
Restated Balance of Payables from exchange transactions	-	31 541 756
Net Assets - Accumulated Surplus		
Balance as at 30 June 2013 on 2012/13 Financial Statement	-	856 008 314
Correction on the fair value of NTK Shares	-	11 801
Correction on the unspent conditional grants and receipts	-	(5 265)
Correction on creditors payments that was double accounted in previous years	-	324 105

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
39. Prior period errors (continued)		
Correction of Insurance Claims not accounted as Revenue and Expenditure in previous years	-	91 284
Correction of PPE - duplicated assets and newly identified assets	-	47 026 564
Assets not previously recognised	-	18 638
Correction on Creditors payments not recognised as Creditors	-	(93 265)
Correction of Amounts received in advance reflecting as Accumulated Surplus	-	(1 014)
Correction on depreciation - Assets with negative amounts	-	148 690
Correction of Finance Leased Asset - Cost	-	49 368
Correction of Finance Leased Assets - Acc Depreciation	-	(18 909)
Restated Balance of Accumulated Surplus	-	903 560 311
Statement of Financial Performance		
Balance as at 30 June 2013 on 2012/13 Financial Statement	-	24 950 054
Revenue		
Correction on the fair value of NTK Shares not previously recognised	-	11 801
Correction on the unspent conditional grants and receipts	-	(5 265)
Correction of Accrued Interest captured as Interest received	-	8
Insurance Payment not recognised as Revenue	-	95 000
Correction on Other Income captured as Amounts Received in Advance	-	11 045
Expenditure		
Correction of Repair and Maintenance - Creditors payments double accounted in previous year.	-	3 509
Correction of General Expenditure - Creditors payments double accounted in previous year.	-	49 031
Correction of General Expenditure - Payment not recognised as Expenditure	-	(76 608)
Correction of Repair and Maintenance - Amounts allocated to Amounts Received in Advance	-	(12 061)
Correction of Depreciation - Assets with negative amounts	-	148 690
Correction on Total Expenditure Amount	-	(13)
Correction of Depreciation - Finance leased Assets	-	18 908
Restated Balance of Surplus for the year	-	25 194 099
Cash flow statement		
Cash flow from operating activities		
Balance as at 30 June 2013 on 2012/13 Financial Statement	-	42 708 782
Correction on accrued interest	-	8
Restated Balance for Cash flow from operating activities	-	42 708 790

40. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
40. Comparative figures (continued)		
Statement of financial position		
Assets		
Non-current receivables	-	(299 416)
Current receivables	-	299 416
Receivables from exchange transactions	-	567 970
Investment Property	-	5 575 251
Property, Plant and Equipment	-	(5 575 251)
Liabilities		
Non-current Employee benefit obligation	-	(528 276)
Current Employee benefit obligation	-	528 276
Non-current Provisions	-	(299 144)
Current Provisions	-	299 144
Payables from exchange transactions	-	(567 970)
	<u>-</u>	<u>-</u>

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
40. Comparative figures (continued)		
Non-Current Receivables		
Balance as at 30 June 2013 on 2012/13 Financial Statement	-	299 416
Moved due to AG audit finding	-	(299 416)
Restated Balance of Non-Current Receivables	-	-
Current Receivables		
Moved due to AG audit finding	-	299 416
Non-Current Employee benefit obligation		
Balance as at 30 June 2013 on 2012/13 Financial Statement	-	20 458 439
Current Porting on Long term Liability	-	(528 276)
Restated Balance of Non-Current Employee benefit obligation	-	19 930 163
Current Liability Employee benefit obligation		
Current portion on Long term Liability	-	528 276
Non-Current Liability Provisions		
Balance as at 30 June 2013 on 2012/13 Financial Statement	-	8 025 631
Current portion on Long term Liability	-	(299 144)
Restated Balance of Non-Current Liability Provisions	-	7 726 487
Current Liability Provision		
Current portion on Long term Liability	-	299 144
Payables from exchange transactions		
Balance as at 30 June 2013 on 2012/13 Financial Statement	-	31 346 400
Incorrect classification of Other Debtors	-	567 970
Rounding	-	10
Prior period errors (Note 39)	-	(321 108)
Restated Balance of Payables from exchange transactions	-	31 593 272
Receivables from exchange transactions		
Balance as at 30 June 2013 on 2012/13 Financial Statement	-	59 119 507
Incorrect classification of Other Debtors	-	567 970
Restated Balance of Receivables from exchange transactions	-	59 687 477
Investment Property		
Reclassification of Land to Investment Property	-	5 575 251
Property, Plant and Equipment		
Balance as at 30 June 2013 on 2012/2013 Financial Statement	-	829 114 122
Reclassification of Land to Investment Property	-	(5 575 251)
Prior Period errors (Note 39)	-	47 193 892
Restated Balance of Property, Plant and Equipment	-	870 732 763

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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41. Risk management

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Modimolle Municipality	2014 Short-Term Portion	2014 Long-Term Portion	2013 Short-Term Portion	2013 Long-Term Portion
Trade and other payables	28 727 541	-	31 914 380	-
Consumer Deposit	3 668 359	-	3 026 762	-
Unspent Grants	23 467 722	-	23 881 258	-
Borrowings	367 086	1 375 707	483 622	1 742 629
Finance leases	1 067 198	1 704 552	1 178 946	3 275 367
Employee Benefit Obligation	647 400	25 281 249	528 276	19 930 163
Provisions	256 678	8 682 956	299 144	7 726 487
	58 201 984	37 044 464	61 312 388	32 674 646

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

- * Call Deposits
- * Notice Deposits
- * Development Bank of South Africa loans

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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41. Risk management (continued)

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge a obligation and cause the Municipality to incur financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provisions for default is maintained.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 10 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at 12.65% where applicable.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2014	2013
Non Current Investments	2 818 721	2 333 829
Receivables from exchange transactions	71 659 765	59 687 477
Cash and cash equivalents	34 643 227	56 119 802
Investments	900 000	900 000

The provision for bad debts could be allocated between the different classes of debtors as follows:

Modimolle Municipality	2014 %	2014	2013 Percentage	2013 Amount
Electricity	11 %	3 038 047	15 %	3 744 578
Water	37 %	10 150 426	38 %	9 259 052
Refuse	8 %	2 232 455	9 %	2 039 045
VAT	19 %	5 079 337	11 %	2 711 388
Other	25 %	6 870 983	27 %	6 647 649
	100 %	27 371 248	100 %	24 401 712

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

42. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated surplus of 890 470 634 and that the municipality's total assets exceed its liabilities by 890 953 897.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
43. Unauthorised expenditure		
Opening Balance	1 076 778	54 099 542
Unauthorised expenditure condoned - A268/8/2013	-	(37 729 891)
Unauthorised expenditure condoned - A269/8/2013	-	(15 809 551)
Unauthorised expenditure for the current year	26 773 008	516 678
Expenditure authorized in terms of section 32 of MFMA	(516 678)	-
	27 333 108	1 076 778

The unauthorised expenditure for the current year is largely due to the Debt Impairment and Depreciation on Assets.

44. Fruitless and wasteful expenditure

Opening Balance	1 523 580	1 360 617
Fruitless and wasteful expenditure - current year	43 897	162 963
Written-off as irrecoverable - A266/8/2013	(956 230)	-
Written-off as irrecoverable - A267/8/2013	(94 707)	-
	516 540	1 523 580

This expenditure is under investigation. The decision whether the expenditure / losses are recoverable, any criminal or disciplinary steps to be taken and material losses recovered or written off is pending the investigation by the Municipal Public Accounts Committee.

45. Irregular expenditure

Opening balance	6 058 229	5 551 832
Add: Irregular Expenditure - current year	305 479	506 397
	6 363 708	6 058 229

The municipality is investigating possible instances of irregular expenditure which has not been included in the amount disclosed above. The full extent of irregularity would only be known at the conclusion of these investigations. The amount disclosed above may change based on the outcome of these investigations.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

46. Additional disclosure in terms of Municipal Finance Management Act

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor SA Sebolai	50	945	995
Councillor MF Marutha	201	-	201
Councillor MS Olifant	1 237	1 571	2 808
Councillor G Ferreira	115	-	115
Councillor RP Mashaba	695	-	695
Councillor WL Botes	609	-	609
Councillor SJ Moropene	109	-	109
Councillor MS Motshegoa	243	-	243
Councillor MC Laubscher	5 505	-	5 505
Councillor SD Sebelebele	471	164	635
	9 235	2 680	11 915

30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor SA Sebolai	957	-	957
Councillor MF Marutha	436	11 240	11 676
Councillor MS Olifant	281	-	281
Councillor G Ferreira	315	-	315
Councillor RP Mashaba	209	-	209
Councillor WL Botes	1 204	-	1 204
Councillor SJ Moropene	243	2 812	3 055
Councillor MS Ledwaba	224	1 342	1 566
Councillor MS Motshegoa	591	3 681	4 272
	4 460	19 075	23 535

During the year the following Councillors' had arrear accounts outstanding for less than 90 days.

30 June 2013	Current	30 Days
Councillor SA Sebolai	834	123
Councillor MS Olifant	281	-
Councillor G Ferreira	315	-
Councillor RP Mashaba	209	-
Councillor WL Botes	1 204	-
	2 843	123

30 June 2014	Current	30 Days
Councillor MF Marutha	201	-
Councillor G Ferreira	115	-
Councillor RP Mashaba	695	-
Councillor WL Botes	609	-
Councillor SJ Moropene	109	-
Councillor MS Motshegoa	243	-
Councillor MC Laubscher	5 505	-
	7 477	-

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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47. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviations for the 2013/2014 that have been condoned by the Municipal Council (A 319/2/2014, A334/4/2014, A 371/7/2014) with the following reasons:

Reasons for Deviation

Sole Provider	324 324	146 552
Urgent Requests	591 388	389 925
Special Circumstances	1 605 548	276 502
	<u>2 521 260</u>	<u>812 979</u>

48. Budget differences

Material differences between budget and actual amounts

The excess of actual revenue and expenditure over the final budget of 10% will be explained below.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand			2014	2013	
Discription	Budget	Adjustment Budget	Actual	Variance	% Variance
Revenue					
Property Rates	20 600 000	22 720 000	27 774 001	5 054 001	22 %
Service Charges - Electricity	71 660 000	75 560 000	78 216 863	2 656 863	4 %
Service Charges - Water	28 600 000	28 800 000	27 616 138	(1 183 862)	(4)%
Service Charges - Sanitation	9 100 000	10 500 000	10 680 050	180 050	2 %
Service Charges - Refuse Removal	5 760 000	6 250 000	6 256 184	6 184	- %
Rental of facilities and equipment	75 200	78 200	558 024	479 824	614 %
Interest Earned - External Investments	2 700 000	2 500 000	2 712 028	212 028	8 %
Interest Earned - Outstanding Debtors	6 000 000	8 200 000	9 691 873	1 491 873	18 %
Fines	101 500	101 500	102 800	1 300	1 %
Agency Services	4 000 000	3 000 000	2 421 498	(578 502)	(19)%
Transfers Recognised - Operational	62 686 243	62 060 243	62 232 148	171 905	- %
Transfers Recognised - Capital	49 672 757	69 152 282	43 575 388	(25 576 894)	(37)%
Other Revenue	4 526 364	6 009 364	7 636 213	1 626 849	27 %
Subtotal	265 482 064	294 931 589	279 473 208	(15 458 381)	4
Expenditure					
Employee Related Cost	(76 219 517)	(86 555 268)	(96 655 527)	(10 100 259)	(12)%
Remuneration of Councillors	(5 831 500)	(6 491 700)	(5 980 488)	511 212	8 %
Debt Impairment	(5 000 000)	(5 000 000)	(13 886 529)	(8 886 529)	(178)%
Depreciation and Asset Impairment	(33 274 450)	(27 217 348)	(42 083 746)	(14 866 398)	(55)%
Finance Charges	(3 026 000)	(3 010 000)	(2 750 634)	259 366	7 %
Bulk Purchases	(71 500 000)	(80 800 000)	(77 381 794)	3 418 206	4 %
Other Materials	(8 240 340)	(8 279 610)	(8 386 906)	(107 296)	(1)%
Contracted Services	(7 700 000)	(7 700 000)	(9 822 389)	(2 122 389)	(28)%
Other Expenditure	(39 806 989)	(40 216 527)	(34 083 274)	6 133 253	15 %
Loss on Disposal of Assets	-	-	(3 439 805)	(3 439 805)	(100)%
Subtotal	(250 598 796)	(265 270 453)	(294 471 092)	(29 200 639)	(9)%
	14 883 359	29 661 136	(14 997 884)	44 659 020	151 %

Details on Material Variances - Revenue

1. Property Rates is more than anticipated due to the implementation of the new valuation roll that started 1 July 2013.
2. Rental of facilities and equipment is more than anticipated due to contracts for grazing camps.
3. Interest earned on outstanding debtors is due to the collection rate being lower than anticipated.
4. Agency Services is less than anticipated during the budget process.
5. Other Revenue is more than anticipated due to building plans, fire brigade and sundry revenue.
6. Transfers recognised for capital is less than anticipated due to the capital program not being fully implemented.

Details on Material Variances - Expenditure

1. Employee related cost is due to temporary wages paid, overtime paid and contribution to post retirement benefits being more than anticipated
2. Debt Impairment is over the budget due to the bad debt write-off (Note 10) that council approved and impacted on the Debt Impairment contribution
3. Finance cost related to the provision of post retirement benefits and long service awards was less than anticipated.
4. Contracted services is over the budget amount due to the security services and legal fees being more than anticipated.

Modimolle Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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5. Other Expenditure is under spent due to spending being less than anticipated.
6. Depreciation is due to assets that increased in value e.g. Landfill site and new assets that was added to the Asset Register.
7. The municipality did not budget for the loss on disposal of assets as it was unknown during the budget process.

49. Interest earned - outstanding receivables

Consumer debtors	9 691 873	7 458 819
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50. Distribution Losses

Water Losses	2014	2013
Average % Loss	19.39 %	4.16 %
Annual Loss	- %	14.35 %
	19.39 %	18.51 %

51. Commitments

Heading

Modimolle Market Stalls	986 090	1 769 166
Limpopo Low Level Bridge	1 711 144	3 157 111
Modimolle Waste Water Treatment Plant	11 985 791	5 669 120
Rehabilitation of Lilian Ngoyi	6 624 757	200 000
Road Intersection Joe Slovo	-	3 000 000
Phagameng Ext 9 Street Light	-	22 790
Modimolle Street Lights	-	94 711
Development of Modimolle Park	251 925	1 971 194
Fencing of Mabatlane Cemetery	-	146 891
Fencing of Current Modimolle Cemetery	-	46 647
Fencing of Old Modimolle Cemetery	-	192 827
Fencing of Leseding Old Community Hall	-	478 350
Phagameng Streets and Storm water phase 4	1 878 917	-
Development of Phagameng Ext 6 Sports Facility	1 562 367	-
Energy Efficiency and Demand Side Management	-	7 188 731
Bathathu Risk Solutions	1 098 877	373 134
Price Waterhouse Coopers	2 371 494	3 403 717
CSS Tirisano	23 132	-
Redrow Chairs	4 218	-
Ngwanamakibane Trading	35 940	-
Redrow Chairs	192 136	-
	28 726 788	27 714 389

52. Related Parties

Related parties relates to Senior Management (Note 25) and Councillors (Note 26).

Modimolle Local Municipality

Appendix A

June 2014

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
DBSA	11191	140 649	-	140 649	-	-	-
DBSA	10467	1 088 489	-	195 088	893 401	-	-
DBSA	13537	997 113	-	147 720	849 393	-	-
		2 226 251	-	483 457	1 742 794	-	-
Bonds							
Other loans							
Lease liability							
Annuity loans							
Government loans							
Total external loans							
Development Bank of South Africa		2 226 251	-	483 457	1 742 794	-	-
		2 226 251	-	483 457	1 742 794	-	-

June 2014

Analysis of property, plant and equipment as at 30 June 2014

Land and buildings

Land (Separate for AFS purposes)	372 280 413	-	-	-	-	-	372 280 413	-	-	-	-	-	-	372 280 413
Landfill Sites (Separate for AFS purposes)	4 984 815	13 472 089	-	-	-	-	18 456 904	(2 992 200)	-	-	(6 199 041)	-	(9 191 241)	9 265 663
Buildings (Separate for AFS purposes)	52 500 730	394 737	(616 278)	-	-	-	52 279 189	(13 007 560)	437 068	-	(2 991 547)	(314 226)	(15 876 265)	36 402 924
	429 765 958	13 866 826	(616 278)	-	-	-	443 016 506	(15 999 760)	437 068	-	(9 190 588)	(314 226)	(25 067 506)	417 949 000

Infrastructure

Roads, Pavements & Bridges	222 728 354	-	(6 281 988)	11 289 754	-	16 052 001	243 788 121	(47 159 019)	212 747	-	(11 349 604)	(1 941 880)	(60 237 756)	183 550 365
Electricity Network	89 135 307	2 272 237	(321 169)	-	-	14 777 144	105 863 519	(18 781 369)	82 554	-	(3 628 013)	(77 928)	(22 404 756)	83 458 763
Electricity Supply Network	1 228 239	-	-	-	-	-	1 228 239	(65 409)	-	-	-	-	(151 551)	1 076 688
Water Supply Network	120 227 382	4 281	-	-	-	-	120 231 663	(27 839 605)	-	-	(6 475 038)	-	(34 314 643)	85 917 020
Sanitation Network	94 544 895	60 040	(187 796)	-	-	125 038	94 542 177	(11 156 638)	134 225	-	(6 769 482)	-	(17 971 895)	76 750 282
	527 864 177	2 336 558	(6 790 953)	11 289 754	-	30 954 183	565 653 719	(105 002 040)	429 526	-	(28 308 279)	(2 019 808)	(134 900 601)	430 753 118

Community Assets

Community halls	13 118 666	-	(1 125)	-	-	-	13 117 541	(2 963 118)	654	-	(1 143 027)	(49 138)	(4 154 629)	8 962 912
Recreational facilities	11 305 394	-	(378 345)	-	-	449 557	11 376 606	(3 183 195)	303 196	-	(841 561)	-	(3 721 560)	7 655 046
	24 424 060	-	(379 470)	-	-	449 557	24 494 147	(6 146 313)	303 850	-	(1 984 588)	(49 138)	(7 876 189)	16 617 958

June 2014

Analysis of property, plant and equipment as at 30 June 2014

Heritage assets
Specialised vehicles
Other assets

June 2014

Cost/Revaluation

Total property plant and equipment

Agricultural/Biological assets
Intangible assets

Investment properties

Total

Modimolle Local Municipality
Modimolle Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2013	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals/Tra nsfers Rand	WIP Release Rand	Correction of Error Rand	WIP Rand	Closing Balance Rand	Opening Balance Rand	Disposals/Tra nsfers Rand	Correction of Error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	356 020 860	-	-	-	16 259 553	-	372 280 413	-	-	-	-	-	-	372 280 413
Landfill Sites (Separate for AFS purposes)	4 183 029	801 786	-	-	-	-	4 984 815	(2 660 117)	-	-	(332 084)	-	(2 992 201)	1 992 614
Buildings (Separate for AFS purposes)	52 786 104	-	-	-	(285 374)	-	52 500 730	(11 522 155)	-	110 650	(1 596 055)	-	(13 007 560)	39 493 170
	412 989 993	801 786	-	-	15 974 179	-	429 765 958	(14 182 272)	-	110 650	(1 928 139)	-	(15 999 761)	413 766 197
Infrastructure														
Roads and Stormwater Network	189 677 988	4 356 239	(290 630)	290 630	18 183 164	10 510 963	222 728 354	(48 358 932)	-	9 312 055	(8 112 142)	-	(47 159 019)	175 569 335
Electricity network	84 335 571	3 497 950	-	-	598 941	702 843	89 135 305	(16 622 337)	-	89 556	(2 248 588)	-	(18 781 369)	70 353 936
Electricity supply network	1 228 239	-	-	-	-	-	1 228 239	(24 496)	-	-	(40 913)	-	(65 409)	1 162 830
Water supply network	102 932 574	16 117 955	-	-	74 777	1 102 077	120 227 383	(22 966 250)	-	32 924	(4 906 280)	-	(27 839 606)	92 387 777
Sewerage network	84 479 774	6 677 606	-	-	120 606	3 266 909	94 544 895	(8 888 929)	-	3 119	(2 270 827)	-	(11 156 637)	83 388 258
	462 654 146	30 649 750	(290 630)	290 630	18 977 488	15 582 792	527 864 176	(96 860 944)	-	9 437 654	(17 578 750)	-	(105 002 040)	422 862 136
Community Assets														
Community halls	10 072 234	702 646	-	-	2 343 786	-	13 118 666	(2 630 399)	-	423	(333 142)	-	(2 963 118)	10 155 548
Recreational facilities	9 613 483	-	-	-	1 691 910	-	11 305 393	(2 875 374)	-	-	(307 822)	-	(3 183 196)	8 122 197
	19 685 717	702 646	-	-	4 035 696	-	24 424 059	(5 505 773)	-	423	(640 964)	-	(6 146 314)	18 277 745

June 2014

Analysis of property, plant and equipment as at 30 June 2013

Heritage assets
Specialised vehicles
Other assets

General vehicles
Plant & equipment
Furniture & Fittings
Office Equipment
Office Equipment - Leased
Library books
Other buildings
Housing

June 2014

Analysis of property, plant and equipment as at 30 June 2013

Total property plant and equipment

Land and buildings	412 989 993	801 786	-	-	15 974 179	-	429 765 958	(14 182 272)	-	110 650	(1 928 139)	-	(15 999 761)	413 766 197
Infrastructure	462 654 146	30 649 750	(290 630)	290 630	18 977 488	15 582 792	527 864 176	(96 860 944)	-	9 437 654	(17 578 750)	-	(105 002 040)	422 862 136
Community Assets	19 685 717	702 646	-	-	4 035 698	-	24 424 059	(5 505 773)	-	423	(640 964)	-	(6 146 314)	18 277 745
Other assets	15 642 982	353 907	(3 782 942)	-	8 838 326	3 589 837	24 642 112	(6 509 793)	2 511 207	(1 241 807)	(3 596 301)	-	(8 836 694)	15 805 418

Agricultural/Biological assets
Intangible assets

Servitute	2 497 269	-	-	-	-	-	2 497 269	-	-	-	-	-	-	2 497 269
	2 497 269	-	-	-	-	-	2 497 269	-	-	-	-	-	-	2 497 269

Investment properties

Investment property	-	-	-	-	5 575 251	-	5 575 251	-	-	-	-	-	-	5 575 251
	-	-	-	-	5 575 251	-	5 575 251	-	-	-	-	-	-	5 575 251

Total

Land and buildings	412 989 993	801 786	-	-	15 974 179	-	429 765 958	(14 182 272)	-	110 650	(1 928 139)	-	(15 999 761)	413 766 197
Infrastructure	462 654 146	30 649 750	(290 630)	290 630	18 977 488	15 582 792	527 864 176	(96 860 944)	-	9 437 654	(17 578 750)	-	(105 002 040)	422 862 136
Community Assets	19 685 717	702 646	-	-	4 035 696	-	24 424 059	(5 505 773)	-	423	(640 964)	-	(6 146 314)	18 277 745
Other assets	15 642 982	353 907	(3 782 942)	-	8 838 328	3 589 837	24 642 112	(6 509 793)	2 511 207	(1 241 807)	(3 596 301)	-	(8 836 694)	15 805 418
Intangible assets	2 497 269	-	-	-	-	-	2 497 269	-	-	-	-	-	-	2 497 269
Investment properties	-	-	-	-	5 575 251	-	5 575 251	-	-	-	-	-	-	5 575 251

Modimolle Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2014

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun		
MIG		-	13 112	-	24 259	-	-	2 233	8 550	9 452	10 502	-	-	-	1 965	-	Yes	
FMG		-	1 550	-	-	-	-	268	296	174	812	-	-	-	-	-	Yes	
MSIG		-	890	-	-	-	-	4	419	4	463	-	-	-	-	-	Yes	
EEDG		-	-	-	-	-	-	3 097	1 562	1 916	468	-	-	-	-	-	Yes	
INEG		-	2 000	5 300	-	-	-	4 201	1 753	201	1 151	-	-	-	-	-	Yes	
EPWP		-	400	300	300	-	-	445	215	340	-	-	-	-	-	-		
		-	17 952	5 600	24 559	-	-	10 248	12 795	12 087	13 396	-	-	-	1 965	-		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Modimolle Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2014

	2014/2013								2013/2012						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	65 262 258	4 092 000	69 354 258	-		69 354 258	77 136 305		7 782 047	111 %	118 %				65 441 035
Executive and council	29 180 552	(20 600 000)	8 580 552	-		8 580 552	9 232 772		652 220	108 %	32 %				17 593 438
Budget and treasury office	35 667 206	24 700 000	60 367 206	-		60 367 206	67 077 461		6 710 255	111 %	188 %				47 043 966
Corporate services	414 500	(8 000)	406 500	-		406 500	826 072		419 572	203 %	199 %				803 631
Community and public safety	5 043 564	3 544 995	8 588 559	-		8 588 559	5 690 924		(2 897 635)	66 %	113 %				5 044 658
Community and social services	203 700	2 609 801	2 813 501	-		2 813 501	1 372 341		(1 441 160)	49 %	674 %				2 983 864
Sport and recreation	3 014 000	935 194	3 949 194	-		3 949 194	2 395 234		(1 553 960)	61 %	79 %				361 496
Public safety	1 825 864	-	1 825 864	-		1 825 864	1 923 349		97 485	105 %	105 %				1 699 298
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Economic and environmental services	36 568 243	3 902 000	40 470 243	-		40 470 243	29 486 459		(10 983 784)	73 %	81 %				20 858 262
Planning and development	2 156 243	-	2 156 243	-		2 156 243	2 175 485		19 242	101 %	101 %				1 610 014
Road transport	34 412 000	3 902 000	38 314 000	-		38 314 000	27 310 974		(11 003 026)	71 %	79 %				19 248 248
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Trading services	158 607 999	17 910 530	176 518 529	-		176 518 529	167 159 520		(9 359 009)	95 %	105 %				156 925 959
Electricity	95 886 231	7 656 230	103 542 461	-		103 542 461	107 056 941		3 514 480	103 %	112 %				90 607 709
Water	34 877 304	200 000	35 077 304	-		35 077 304	33 871 442		(1 205 862)	97 %	97 %				32 096 750
Waste water management	18 586 925	9 564 300	28 151 225	-		28 151 225	16 477 414		(11 673 811)	59 %	89 %				25 467 968
Waste management	9 257 539	490 000	9 747 539	-		9 747 539	9 753 723		6 184	100 %	105 %				8 753 532
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Standard	265 482 064	29 449 525	294 931 589	-		294 931 589	279 473 208		(15 458 381)	95 %	105 %				248 269 914

Modimolle Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2014

	2014/2013							2013/2012							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	54 013 816	5 323 588	59 337 404	-	-	59 337 404	74 780 881	-	15 443 477	126 %	138 %	-	-	-	38 132 182
Executive and council	20 523 884	4 592 400	25 116 284	-	-	25 116 284	40 295 823	-	15 179 539	160 %	196 %	-	-	-	11 488 135
Budget and treasury office	18 172 746	(250 546)	17 922 200	-	-	17 922 200	18 863 759	-	941 559	105 %	104 %	-	-	-	14 575 882
Corporate services	15 317 186	981 734	16 298 920	-	-	16 298 920	15 621 299	-	(677 621)	96 %	102 %	-	-	-	12 068 165
Community and public safety	26 191 421	(876 076)	25 315 345	-	-	25 315 345	26 803 887	-	1 488 542	106 %	102 %	-	-	-	20 376 004
Community and social services	14 661 770	(2 034 400)	12 627 370	-	-	12 627 370	14 105 348	-	1 477 978	112 %	96 %	-	-	-	11 403 645
Sport and recreation	6 216 464	1 072 824	7 289 288	-	-	7 289 288	7 444 759	-	155 471	102 %	120 %	-	-	-	4 476 946
Public safety	5 313 187	85 500	5 398 687	-	-	5 398 687	5 253 780	-	(144 907)	97 %	99 %	-	-	-	4 495 413
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	34 412 062	926 196	35 338 258	-	-	35 338 258	36 987 010	-	1 648 752	105 %	107 %	-	-	-	28 203 025
Planning and development	9 922 453	(468 144)	9 454 309	-	-	9 454 309	8 349 036	-	(1 105 273)	88 %	84 %	-	-	-	7 209 401
Road transport	24 489 609	1 394 340	25 883 949	-	-	25 883 949	28 637 974	-	2 754 025	111 %	117 %	-	-	-	20 993 624
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	135 981 406	9 298 040	145 279 446	-	-	145 279 446	155 899 310	-	10 619 864	107 %	115 %	-	-	-	130 497 807
Electricity	86 067 833	7 516 800	93 584 633	-	-	93 584 633	91 880 809	-	(1 703 824)	98 %	107 %	-	-	-	87 236 267
Water	31 221 212	297 240	31 518 452	-	-	31 518 452	32 777 745	-	1 259 293	104 %	105 %	-	-	-	25 609 489
Waste water management	8 748 286	100 700	8 848 986	-	-	8 848 986	13 530 108	-	4 681 122	153 %	155 %	-	-	-	7 419 718
Waste management	9 944 075	1 383 300	11 327 375	-	-	11 327 375	17 710 648	-	6 383 273	156 %	178 %	-	-	-	10 232 333
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure - Standard	250 598 705	14 671 748	265 270 453	-	-	265 270 453	294 471 088	-	29 200 635	111 %	118 %	-	-	-	217 209 018
Surplus/(Deficit) for the year	14 883 359	14 777 777	29 661 136	-		29 661 136	(14 997 880)		(44 659 016)	(51)%	(101)%				31 060 896

Modimolle Local Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2014

2014/2013															2013/2012				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome					
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand					
Revenue by Vote																			
Vote 1- Executive and Council	29 180 552	(20 600 000)	8 580 552	-		8 580 552	9 232 772		652 220	108 %	32 %			-					
Vote 2 - Budget and Treasury	35 667 206	24 700 000	60 367 206	-		60 367 206	67 077 461		6 710 255	111 %	188 %			-					
Vote 3 - Social Services	18 306 103	3 034 995	21 341 098	-		21 341 098	17 866 794		(3 474 304)	84 %	98 %			-					
Vote 4 - Corporate Services	375 000	(8 000)	367 000	-		367 000	356 481		(10 519)	97 %	95 %			-					
Vote 5 - Technical Services	181 760 203	22 322 530	204 082 733	-		204 082 733	184 776 833		(19 305 900)	91 %	102 %			-					
Vote 6 - Planning and Development	193 000	-	193 000	-		193 000	162 868		(30 132)	84 %	84 %			-					
Total Revenue by Vote	265 482 064	29 449 525	294 931 589	-		294 931 589	279 473 209		(15 458 380)	95 %	105 %			-					
Expenditure by Vote to be appropriated																			
Vote 1- Executive and Council	20 523 884	4 592 400	25 116 284	-	-	25 116 284	40 295 823	15 179 539	15 179 539	160 %	196 %	-	-	-					
Vote 2 - Budget and Treasury	18 172 746	(250 546)	17 922 200	-	-	17 922 200	18 863 759	941 559	941 559	105 %	104 %	-	-	-					
Vote 3 - Social Services	39 712 777	1 020 024	40 732 801	-	-	40 732 801	48 521 603	7 788 802	7 788 802	119 %	122 %	-	-	-					
Vote 4 - Corporate Services	15 193 386	981 734	16 175 120	-	-	16 175 120	15 551 151	-	(623 969)	96 %	102 %	-	-	-					
Vote 5 - Technical Services	149 036 702	8 327 280	157 363 982	-	-	157 363 982	164 450 090	7 086 108	7 086 108	105 %	110 %	-	-	-					
Vote 6 - Planning and Development	7 959 210	856	7 960 066	-	-	7 960 066	6 788 661	-	(1 171 405)	85 %	85 %	-	-	-					
Total Expenditure by Vote	250 598 705	14 671 748	265 270 453	-	-	265 270 453	294 471 087	30 996 008	29 200 634	111 %	118 %	-	-	-					
Surplus/(Deficit) for the year	14 883 359	14 777 777	29 661 136	-		29 661 136	(14 997 878)		(44 659 014)	(51)%	(101)%			-					

Modimolle Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

	2014/2013							2013/2012							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	20 600 000	2 120 000	22 720 000	-		22 720 000	27 774 000		5 054 000	122 %	135 %				19 426 513
Service charges - electricity revenue	71 660 000	3 900 000	75 560 000	-		75 560 000	78 216 863		2 656 863	104 %	109 %				70 473 907
Service charges - water revenue	28 600 000	200 000	28 800 000	-		28 800 000	27 616 138		(1 183 862)	96 %	97 %				24 857 547
Service charges - sanitation revenue	9 100 000	1 400 000	10 500 000	-		10 500 000	10 680 050		180 050	102 %	117 %				8 351 291
Service charges - refuse revenue	5 760 000	490 000	6 250 000	-		6 250 000	6 256 184		6 184	100 %	109 %				5 383 539
Rental of facilities and equipment	75 200	3 000	78 200	-		78 200	558 024		479 824	714 %	742 %				173 310
Interest earned - external investments	2 700 000	(200 000)	2 500 000	-		2 500 000	2 712 028		212 028	108 %	100 %				2 528 263
Interest earned - outstanding debtors	6 000 000	2 200 000	8 200 000	-		8 200 000	9 691 873		1 491 873	118 %	162 %				7 458 819
Fines	101 500	-	101 500	-		101 500	102 800		1 300	101 %	101 %				95 774
Agency services	4 000 000	(1 000 000)	3 000 000	-		3 000 000	2 421 498		(578 502)	81 %	61 %				3 906 671
Transfers recognised - operational	62 686 243	(626 000)	62 060 243	-		62 060 243	62 232 148		171 905	100 %	99 %				62 427 937
Other revenue	4 526 364	1 483 000	6 009 364	-		6 009 364	7 636 213		1 626 849	127 %	169 %				5 439 044
Total Revenue (excluding capital transfers and contributions)	215 809 307	9 970 000	225 779 307	-		225 779 307	235 897 819		10 118 512	104 %	109 %				209 687 266

Modimolle Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

2014/2013									2013/2012						
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
76 219 517	10 335 751	86 555 268	-	-	86 555 268	96 655 527	-	10 100 259	112 %	127 %	-	-	-	70 160 391	
5 831 500	660 200	6 491 700	-	-	6 491 700	5 980 488	-	(511 212)	92 %	103 %	-	-	-	5 263 986	
5 000 000	-	5 000 000		-	5 000 000	13 886 529	-	8 886 529	278 %	278 %	-	-	-	1 163 513	
33 274 450	(6 057 102)	27 217 348		-	27 217 348	44 484 423	-	17 267 075	163 %	134 %	-	-	-	23 419 178	
3 026 000	(16 000)	3 010 000	-	-	3 010 000	2 750 633	-	(259 367)	91 %	91 %	-	-	-	2 783 110	
71 500 000	9 300 000	80 800 000	-	-	80 800 000	77 381 792	-	(3 418 208)	96 %	108 %	-	-	-	67 252 198	
8 240 340	39 270	8 279 610	-	-	8 279 610	8 386 906	-	107 296	101 %	102 %	-	-	-	7 164 291	
7 700 000	-	7 700 000	-	-	7 700 000	9 822 389	-	2 122 389	128 %	128 %	-	-	-	7 150 070	
39 806 898	409 629	40 216 527	-	-	40 216 527	34 083 274	-	(6 133 253)	85 %	86 %	-	-	-	37 365 693	
-	-	-	-	-	-	1 039 128	-	1 039 128	DIV/0 %	DIV/0 %	-	-	-	(445 189)	
250 598 705	14 671 748	265 270 453	-	-	265 270 453	294 471 089	-	29 200 636	111 %	118 %	-	-	-	221 277 241	
(34 789 398)	(4 701 748)	(39 491 146)	-		(39 491 146)	(58 573 270)		(19 082 124)	148 %	168 %				(11 589 975)	
49 672 757	19 479 525	69 152 282	-		69 152 282	43 575 388		(25 576 894)	63 %	88 %				37 636 649	
14 883 359	14 777 777	29 661 136	-		29 661 136	(14 997 882)		(44 659 018)	(51)%	(101)%				26 046 674	
14 883 359	14 777 777	29 661 136	-		29 661 136	(14 997 882)		(44 659 018)	(51)%	(101)%				26 046 674	
14 883 359	14 777 777	29 661 136	-		29 661 136	(14 997 882)		(44 659 018)	(51)%	(101)%				26 046 674	
14 883 359	14 777 777	29 661 136	-		29 661 136	(14 997 882)		(44 659 018)	(51)%	(101)%				26 046 674	

Modimolle Local Municipality

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2014

	2014/2013								2013/2012						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Vote 3 - Social Services	-	4 520 995	4 520 995	-	-	4 520 995	2 661 892	-	(1 859 103)	59 %	DIV/0 %	-	-	-	-
Vote 5 - Technical Services	42 372 757	13 672 531	56 045 288	-	-	56 045 288	30 358 383	-	(25 686 905)	54 %	72 %	-	-	-	-
Capital multi-year expenditure sub-total	42 372 757	18 193 526	60 566 283	-	-	60 566 283	33 020 275	-	(27 546 008)	55 %	78 %	-	-	-	-
Single-year expenditure															
Vote 2 - Budget and Treasury	-	207 000	207 000	-	-	207 000	47 169	-	(159 831)	23 %	DIV/0 %	-	-	-	-
Vote 3 - Social Services	3 000 000	(864 500)	2 135 500	-	-	2 135 500	592 765	-	(1 542 735)	28 %	20 %	-	-	-	-
Vote 4 - Corporate Services	-	230 150	230 150	-	-	230 150	83 582	-	(146 568)	36 %	DIV/0 %	-	-	-	-
Vote 5 - Technical Services	14 300 000	(3 424 000)	10 876 000	-	-	10 876 000	10 046 787	-	(829 213)	92 %	70 %	-	-	-	-
Vote 6 - Planning and Development	-	106 000	106 000	-	-	106 000	-	-	(106 000)	- %	DIV/0 %	-	-	-	-
Capital single-year expenditure sub-total	17 300 000	(3 745 350)	13 554 650	-	-	13 554 650	10 770 303	-	(2 784 347)	79 %	62 %	-	-	-	-
Total Capital Expenditure - Vote	59 672 757	14 448 176	74 120 933	-	-	74 120 933	43 790 578	-	(30 330 355)	59 %	73 %	-	-	-	-

Modimolle Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2014

2014/2013										2013/2012				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard														
Governance and administration	-	437 150	437 150	-	-	437 150	130 751	-	(306 399)	30 %	DIV/0 %	-	-	-
Budget and treasury office	-	207 000	207 000	-	-	207 000	47 169	-	(159 831)	23 %	DIV/0 %	-	-	-
Corporate services	-	230 150	230 150	-	-	230 150	83 582	-	(146 568)	36 %	DIV/0 %	-	-	-
Community and public safety	3 000 000	3 561 495	6 561 495	-	-	6 561 495	3 185 971	-	(3 375 524)	49 %	106 %	-	-	-
Community and social services	-	2 561 301	2 561 301	-	-	2 561 301	951 823	-	(1 609 478)	37 %	DIV/0 %	-	-	-
Sport and recreation	3 000 000	985 194	3 985 194	-	-	3 985 194	2 220 532	-	(1 764 662)	56 %	74 %	-	-	-
Public safety	-	15 000	15 000	-	-	15 000	13 616	-	(1 384)	91 %	DIV/0 %	-	-	-
Economic and environmental services	30 407 000	5 507 000	35 914 000	-	-	35 914 000	22 929 310	-	(12 984 690)	64 %	75 %	-	-	-
Planning and development	-	575 000	575 000	-	-	575 000	395 434	-	(179 566)	69 %	DIV/0 %	-	-	-
Road transport	30 407 000	4 932 000	35 339 000	-	-	35 339 000	22 533 876	-	(12 805 124)	64 %	74 %	-	-	-
Trading services	26 265 757	4 942 531	31 208 288	-	-	31 208 288	17 544 548	-	(13 663 740)	56 %	67 %	-	-	-
Electricity	22 300 000	(3 493 769)	18 806 231	-	-	18 806 231	17 065 316	-	(1 740 915)	91 %	77 %	-	-	-
Water	-	177 000	177 000	-	-	177 000	152 966	-	(24 034)	86 %	DIV/0 %	-	-	-
Waste water management	3 965 757	8 164 300	12 130 057	-	-	12 130 057	257 579	-	(11 872 478)	2 %	6 %	-	-	-
Waste management	-	95 000	95 000	-	-	95 000	68 687	-	(26 313)	72 %	DIV/0 %	-	-	-
Total Capital Expenditure - Standard	59 672 757	14 448 176	74 120 933	-	-	74 120 933	43 790 580	-	(30 330 353)	59 %	73 %	-	-	-
Funded by:														
National Government	49 672 757	19 479 526	69 152 283	-		69 152 283	40 052 186		(29 100 097)	58 %	81 %			-
Transfers recognised - capital	49 672 757	19 479 526	69 152 283	-		69 152 283	40 052 186		(29 100 097)	58 %	81 %			-
Borrowing	10 000 000	(10 000 000)	-	-		-	-		-	DIV/0 %	-			-
Internally generated funds	-	4 968 650	4 968 650	-		4 968 650	3 738 391		(1 230 259)	75 %	DIV/0 %			-
Total Capital Funding	59 672 757	14 448 176	74 120 933	-		74 120 933	43 790 577		(30 330 356)	59 %	73 %			-

Modimolle Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2014

	2014/2013						2013		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	141 534 543	10 874 140	152 408 683	152 408 683	165 809 964	13 401 281	109 %	117 %	-
Government - operating	62 686 244	(626 000)	62 060 244	62 060 244	62 232 148	171 904	100 %	99 %	-
Government - capital	49 672 757	(4 374 000)	45 298 757	45 298 757	43 161 852	(2 136 905)	95 %	87 %	-
Interest	2 700 000	(200 000)	2 500 000	2 500 000	2 712 028	212 028	108 %	100 %	-
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Suppliers and employees	(211 742 583)	-	(211 742 583)	(211 742 583)	(231 894 606)	(20 152 023)	110 %	110 %	-
Finance charges	(1 326 000)	-	(1 326 000)	(1 326 000)	(585 383)	740 617	44 %	44 %	-
Transfers and Grants	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used operating activities	43 524 961	5 674 140	49 199 101	49 199 101	41 436 003	(7 763 098)	84 %	95 %	-
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	8 792 679	8 792 679	DIV/0 %	DIV/0 %	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current investments	-	-	-	-	(484 892)	(484 892)	DIV/0 %	DIV/0 %	-
Payments									
Capital assets	(56 689 119)	(13 725 767)	(70 414 886)	(70 414 886)	(66 324 694)	4 090 192	94 %	117 %	-
Net cash flow from/used investing activities	(56 689 119)	(13 725 767)	(70 414 886)	(70 414 886)	(58 016 907)	12 397 979	82 %	102 %	-
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	10 000 000	(10 000 000)	-	-	(2 320 289)	(2 320 289)	DIV/0 %	(23)%	-
Increase (decrease) in consumer deposits	50 000	-	50 000	50 000	(2 082 910)	(2 132 910)	(4 166)%	(4 166)%	-
Payments									
Repayment of borrowing	733 476	-	733 476	733 476	(366 922)	(1 100 398)	(50)%	(50)%	-
Net cash flow from/used financing activities	10 783 476	(10 000 000)	783 476	783 476	(4 770 121)	(5 553 597)	(609)%	(44)%	-
Net increase/(decrease) in cash held	(2 380 682)	(18 051 627)	(20 432 309)	(20 432 309)	(21 351 025)	(918 716)	104 %	897 %	-
Cash/cash equivalents at the year end:	(2 380 682)	(18 051 627)	(20 432 309)	(20 432 309)	56 119 803				55 498 861
Cash/cash equivalents at the year end:	(2 380 682)	(18 051 627)	(20 432 309)	(20 432 309)	34 768 778	(918 716)	(170)%	(1 460)%	